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DRAFT:RMB:djm
31 December 1958

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : ~~XXXXXXXXXXXXXX~~ Approvals Procedure for
DPS Projects

1. This memorandum contains a recommendation for the approval of the Director of Central Intelligence. Such recommendation is set forth in paragraph 8 below.

2. For the past four years the formal approvals of obligating and payments documentation in connection with CHALICE (formerly AQUATONE) or other projects which I have administered through the Development Projects Staff, have been granted in accordance with a procedure based on an AQUATONE Project Outline dated 7 January 1955. This document contained the original grant of authority to me to serve as Approving Officer and Project Director for AQUATONE. It was, in effect, amended by a paper approved by you on 12 August 1958 (DPS-3074) which gave provisional approval to the budgets for 25X1 CORONA, GUSTO, and other projects to be administered by the Development Projects Staff in accordance with substantially the same procedures as AQUATONE. The original document has not, however, ever been formally amended and there has been no change in the procedure followed for expenditure approvals except to extend that procedure to additional activities.

3. The original Project Outline authorized me to approve expenditures up to \$100,000 without referral to the DCI but required DCI approval of

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any contracts or other commitments in excess of that amount. Operating within that grant of authority all contracts and contract amendments have in fact been submitted to me for approval regardless of amount. I have also, in my capacity as Approving Officer, signed all invoices submitted by contractors in support of their requests for progress payments. I have, of course, been familiar with all the development and procurement programs undertaken through the Development Projects Staff and with the purposes and amounts of the contracts entered into with our suppliers. This familiarity, supplemented by specific advices from my Staff, has served as the basis for my action on contract documents and has made it possible for me to satisfy myself at all times that financial commitments entered into through the DPS mechanism were held within periodically approved budgets or amendments thereto.

4. Although the procedure has thus operated, I believe, to assure orderly financial administration, it has developed a real defect as the number of programs and of individual contracts has multiplied. Generally speaking, the defect is that under the procedure outlined above, the responsible Approving Officer's control is exercised on contract documents and progress payments rather than on procurement programs or amendments thereto, and experience has demonstrated that the Approving Officer's judgment cannot be effectively applied to the former categories of documentation. As to progress payments, their validity is established by a Finance Officer's review of invoices submitted by a contractor and the Approving Officer cannot do anything but accept

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the Finance Officer's judgment. As to contract documents, I have been able (as stated above) to satisfy myself that contracting was proceeding in accordance with approved programs or authorizations but the review of contract documents has been cumbersome and in part ineffective because procurement projects or programs have not been defined and outlined in appropriate documents against which each new contract or amendment could readily be checked. Had there been a more orderly procedure for giving formal approval to what I here refer to as procurement programs, it would have been proper to delegate to the Contracting Officer authority to approve contract documents within approved programs.

5. As the foregoing brief analysis suggests, certain changes in the Development Projects Staff approval procedure seem highly desirable. Specifically, it is proposed that henceforth policy approvals should be formally registered on documents which identify procurement programs and which specify for each: total cost, contractor or contractors, purpose, and other relevant information. These program documents will be administratively equivalent to Project Outlines that serve as a basis for policy approval with respect to other DD/P activities but the Development Projects Staff documents will be totally different in format since they describe only procurement programs which are being carried on in support of large continuing projects which themselves have received policy approval through other channels. It is proposed (in paragraph below) that each DPS procurement

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program require as in the past the approval of of the Deputy Director (Plans) (in his capacity as Director of DPS) if the amount involved is less than \$100,000 and require the approval of the DCI if the amount exceeds \$100,000 or if the proposed program action raises any issue of policy. It is further proposed that the authority to approve contract documents within approved procurement programs be delegated to the DPS Contracting Officer except for any which raises significant new policy questions. It is believed that this basic change in the point of policy control from contract documents to programs will render the DPS approvals procedure more nearly parallel with the procedure in effect with respect to other Agency activities and that this change need not (if properly administered) have any effect in the direction of increased paper work or slower decision-making.

6. The above outlined changes in procedure are desirable in themselves for the reasons given in paragraph 4. above but they acquire added urgency from my recent assumption of new duties and the consequent need to reduce the volume of paper work requiring my attention. The above outlined changes, by making possible greater delegation to the Contracting Officer and Finance Officer of the DPS, will greatly reduce the number of papers requiring my ~~signature~~ approval and those which I will still be required to approve will contain the information necessary for such an exercise of judgment. The volume of documentation requiring DCI approval will be slightly reduced and there will be an improvement at this level, too, in the explanations contained in such documentation.

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7. All of the foregoing discussion deals with the commitment of Agency funds. As another step to reduce the number of papers requiring my approval, I am proposing a greater delegation of authority to the DPS Contracting Officer to negotiate contracts on behalf of the Military Services and involving the commitment of funds transferred by them to the Agency for the programs in question. There has never been a formal approvals procedure in the DPS covering our activities as agent of the other Services but in practice DCI approval has been sought before substantial programs of this character were undertaken and, after such approval, all contract documents have required my signature. It is proposed that in the future a brief program document be prepared for each such program, that DCI approval of the program be required if it is in excess of \$100,000, and that within such approved programs the Contracting Officer have the authority to approve contract documents except for those which raise a significant policy question. It goes without saying that under both present and proposed procedures we act only as the agent of the Military Service for which the procurement is being undertaken and that we execute contracts only on the basis of specific written requisitions from the appropriate representative of the Military Service.

8. In summary it is recommended that the following procedures and redelegations be approved to embody the above outlined proposals:

a. All DPS procurement activities, including the execution of contracts with suppliers, the requisitioning of material from

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other components of the Agency requiring reimbursement by DPS and the requisitioning on a reimbursable basis of material from other Departments of the U.S. Government will be organized into procurement programs and each such program will be identified and outlined in an appropriate program document.

b. Policy approval of such programs will be required as follows:

(1) By the DCI:

- (a) For new programs with an estimated total ~~amount~~ cost in excess of \$100,000
- (b) For amendments to previously approved programs which add more than \$100,000 and
- (c) For all programs or amendments thereto which raise major policy issues.

(2) By the DD/P:

- (a) All other programs

It is understood that the DD/P may redelegate this authority to the Deputy Director DPS-DD/P for programs not exceeding \$10,000 in accordance with established Clandestine Services procedures for delegation of project approvals authority to Division Chiefs.

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c. The Contracting Officer, DPS will have authority to sign all contracting documents which obligate Agency funds regardless of amount provided:

- (1) That each such contract is authorized as to amount, contractor or other source, and purpose by an appropriate program document carrying the required policy approvals, and
- (2) That no such contract (or other procurement document) raises any significant questions of procurement policy (such as form of contract - whether CPFE, reimbursable fixed price or other - estimated rate of profit, etc.).

d. In the event that a contract (or other procurement document) does ~~xxime~~, in the judgment of the Contracting Officer, raise a policy question, it shall be submitted, together with a brief written statement of the points on which policy guidance is required, to the DD/P for approval or for reference by him to the DCI for approval.

e. The Contracting Officer will have authority to sign all contract documents which obligate non-Agency funds regardless of amount provided the contract in question is within a procurement program which has received appropriate policy approval as provided above and provided further that funding is available from the Department on behalf of which the procurement is being undertaken

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and that a specific requirement for the execution of the contract in question has been received from an authorized representative of that Department.

f. Authority to approve progress payments has already been delegated to the Contracting Officer, DPS, such action being within the present authority of the DD/P as Approving Officer for DPS projects.

RICHARD M. BISSELL, JR.
Deputy Director
(Plans)

Recommendations Outlined in
Paragraph 8 APPROVED:

ALLEN W. DULLES
Director